January 15, 2002

BY E-MAIL

NON-CONFIDENTIAL

Ms. Gloria Blue
Executive Secretary
Trade Policy Staff Committee
Office of the U.S. Trade Representative
600 17th Street, N.W.
Washington, D.C. 20508

Re: Rebuttal Comments On Potential Presidential Action Under Section 203 Of The Trade Act Of 1974 With Regard To Imports Of Cold Finished Steel Bar

Dear Ms. Blue:

On behalf of the Cold Finished Trade Coalition and the Minimill 201 Coalition (Long Products) we submit these rebuttal comments on potential Presidential action under Section 203 of the Trade Act of 1974 with regard to imports of cold finished steel bar. This document has been filed in Adobe PDF format via e-mail by the deadline of January 15, 2002, in accordance with the instructions in the Federal Register notice of the Trade Policy Staff Committee: Public Comments On Potential Action Under Section 203 Of The Trade Act Of 1974 With Regard To Imports Of Certain Steel (66 Fed. Reg. 54321, Oct. 26, 2001), as modified by the Federal Register notices published on November 29, 2001 (66 Fed. Reg. 59599) and December 28, 2001 (66 Fed. Reg. 67349).

If you have any questions regarding this submission, please do not hesitate to contact the undersigned.

Respectfully submitted,

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BEFORE THE
UNITED STATES TRADE REPRESENTATIVE

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STEEL	)
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REBUTTAL COMMENTS ON POTENTIAL PRESIDENTIAL ACTION ON COLD FINISHED STEEL BAR

On Behalf Of

The Cold Finished Trade Coalition
and
The Minimill 201 Coalition (Long Products)

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I. EXECUTIVE SUMMARY

The domestic cold finished steel bar industry has been fighting unfairly traded imports for the better part of two decades. In 1980 imports held only 8.4 percent of the domestic market; today, they control 19.3 percent.[1]

Throughout this period, the industry has struggled to remain competitive. It invested in new equipment and technology, it developed new products, and it trained and retrained its workers. Nonetheless, by 1996-1998, the industry's condition was tenuous -- imports held between 14.7 and 16.4 percent of the market, capacity utilization was low, and profitability was low.

Following a series of unforeseen financial meltdowns in Asia, Russia, the CIS countries, and Latin America, the price of imported cold finished steel bar plummeted in 1999, which led to a surge of imports in 2000. "Imports were higher, both in absolute terms and relative to U.S. production, in 2000 than in any prior year of the period examined and showed a rapid and dramatic increase."[2]

As a result of the surge of low-priced imports, the condition of the industry worsened: production declined to 1.39 million tons in 1999 and declined further to 1.33 million tons in 2000; domestic shipments declined to 1.37 million tons in 1999 and then to 1.33 million tons in 2000; and after posting operating profits of $60.2 million in 1997,

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[1] Steel, Inv. No. TA-201-73, USITC Pub. 3479 (Dec. 2001), at LONG-68 {hereinafter "ITC Report"}.

[2] Id. at 102.

profits fell to $10.2 million in 1999 followed by a loss of $551,000 in interim 2001. In its December 2001 report to the President, the U.S. International Trade Commission ("Commission") described the condition of the industry, in part, as follows:

> The most pertinent indicator of the industry's condition is its poor financial performance. . . . {I}ts operating performance decline sharply in 1999 and continued to be poor in 2000. During both 1999 and 2000, the industry was only marginally profitable, with an increasing number of firms posting operating losses. Industry financial performance continued to deteriorate in interim 2001, when the industry sustained an operating loss.[3]

Finally, imports threaten to cause further injury. Foreign production and capacity are growing and exports to the United States are expected to increase in 2002.[4] Given its weakened state, the domestic industry is especially vulnerable to the price and volume effects of import competition.

The domestic industry cannot withstand another import surge. As Mr. Paul Darling, the President and Chief Executive Officer of the Corey Steel Company testified before the Trade Policy Staff Committee ("TPSC") on January 9, 2002, most cold finished steel bar producers are "small companies operating at chronically low utilization rates and gross margins. These companies do not have the economic resources to withstand major cuts in production and lost sales."[5]

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[3] Id. at 104.

[4] Id. at Table LONG-45. See also id. at 467 (findings of Vice Chairman Okun).

[5] January 9, 2002, Statement of Paul J. Darling, Corey Steel Company, before the Trade Policy Staff Committee, at 3 {hereinafter "Darling Statement"}.

Therefore, the Cold Finished Trade Coalition and the Minimill 201 Coalition (Long Products) respectfully urge the President to proclaim a temporary tariff of at least 40 percent ad valorem on imports of cold finished steel bar. Only a substantial tariff increase will protect the industry from another surge of imports and give it an opportunity to recover from the last one. A weaker tariff, such as the 20 percent tariff recommended by three Commissioners, would not provide adequate relief to this industry. It would instead provide the same anemic result as the measure imposed on wire rod imports several years ago.

We also urge the President to impose remedial tariffs for at least four years so that the domestic industry is able to both recover from, and adjust to, import competition. Lastly, both coalitions respectfully urge the President to obtain meaningful and binding commitments from our trading partners to reduce global excess production capacity and to assist shuttered companies in obtaining trade adjustment assistance for displaced workers.

II. AT LEAST A 40 PERCENT REMEDIAL TARIFF IS WARRANTED FOR THE COLD FINISHED STEEL BAR INDUSTRY

A. The Condition Of The Industry Warrants At Least A 40 Percent Tariff

1. The injury to the cold finished steel bar industry is serious and worsening

The Commission unanimously found that the domestic cold finished steel bar industry was seriously injured by the surge of low-priced imports.[6] During the early

[6] ITC Report at 101.

portion of the period examined by the Commission (1996-1998), the industry was in a tenuous position: plagued with chronically low capacity utilization and low profitability. When the price of imported cold finished steel bar plummeted in 1999 and imports surged, the industry's condition worsened. The largest producer went bankrupt and many more are presently on the brink as conditions continue to deteriorate. The Administration's remedy must address the condition of this industry.

Unlike most every other steel product, the United States does not need to be a significant net importer of cold finished steel bar. As shown in Attachment 1, for each of the last five years, the domestic cold finished steel bar industry's production capacity has consistently exceeded demand. In fact, the industry's capacity is roughly twice the demand for cold finished steel bar. With so much excess capacity, the domestic industry operates at chronically low utilization rates. As shown in Attachment 2, the industry's utilization rate is well below that of other domestic steel industries. Given the amount of unused domestic capacity, there is simply no reason for the United States to be a significant importer of cold finished steel bar. Nonetheless, imports have increasingly played a significant and damaging role in the market as the result of aggressive pricing that has little regard for costs or profits. The only objective of these exporters is increased cash flow and market share -- U.S. market share that comes at the expense of domestic producers, their workers, and their local communities.

The domestic industry's low utilization rate also limits the industry's ability to incur production cuts without significantly increasing its average cost per ton.[7] Thus, when import prices declined dramatically in 1999 and 2000, the domestic industry was forced to lower prices in an attempt to maintain production at an acceptable level. According to the Commission, domestic prices declined by 12 percent from 1996 to 2000.[8] Despite attempts to compete with low-priced imports, the industry lost significant market share to imports.

Non-NAFTA imports increased their share of the market significantly from 1999 to 2000. In volume terms, import market share increased from 9.6 percent in 1999 to 14.3 percent in 2000.[9] In terms of value, import market share increased from 11.5 percent in 1999 to 15.7 percent in 2000, and to 16 percent in the first six months of 2001.[10]

The domestic cold finished steel bar industry does not have the ability to continue its fight with low-priced imports, unless a sufficiently strong remedial tariff is imposed. Most members of the industry are small, privately-owned companies. They do not have the financial resources of their larger brethren in the steel industry. When companies,

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[7] The industry's costs per ton sold (other than raw material costs) increased significantly in 1999-2001 as compared to 1996-1998. Id. at LONG-34. Capacity utilization began a steady decline in 1999.

[8] Id.

[9] Id. at LONG-68.

[10] Id.

especially small ones, operate at chronically low capacity utilization rates (as this industry has since 1996), they cannot withstand extended periods of lost market share and low prices.

The Commission found that the industry's financial condition worsened significantly during the last few years.[11] At least two members of the industry filed for bankruptcy: Republic Technologies and CSC, Ltd. Many more are on the brink. The Commission found that an increasing share of the industry was operating at a loss: three producers operated at a loss in 1999, four in 2000, and nine in 2001.[12]

Conditions have worsened since the close of the Commission's period of investigation ("POI") -- June 30, 2001. Based upon recent data from the American Iron and Steel Institute, it appears that imports further increased their market share in the last half of 2001. While domestic shipments for the period July through October of 2001 plummeted by 22 percent as compared to the same period in 2000, imports have declined by a mere 10 percent. Foreign production and capacity are also growing and exports to the United States are expected to increase in 2002.[13] As a result of these worsening

[11] Id. at 104 (the industry's "operating performance declined sharply in 1999 and continued to be poor in 2000.").

[12] Id. at 103.

[13] Id. at Table LONG-45. See also id. at 467 (findings of Vice Chairman Okun).

conditions, the Corey Steel Company (one of the larger domestic producers) was forced to discontinue its third shift and lay off employees in October of 2001.[14]

In sum, without appropriate relief, the negative performance trends experienced by the domestic cold finished steel bar industry during the latter portions of the POI would continue and worsen. As Vice Chairman Okun noted:

> In particular, imports would maintain or further increase their share of the pertinent U.S. markets. The continued competition would force domestic producers either to lose market share, cut prices, or both.
>
> As a result, domestic producers would face further declines in their revenues and worsening financial performance. The depressed operating performance of the cold-finished bar industry in 1999 and 2000 and the operating losses witnessed in the cold-finished bar industry in 2001 would continue. Depressed performance or operating losses, in turn, would lead to bankruptcies and plant closures. Such bankruptcies and plant closures would lead to layoffs of workers in the industries, and adverse impacts on the communities in which the production facilities are located.[15]

2. A 20 percent tariff would have minimal impact on import prices and virtually no impact on domestic market prices

The 20 percent tariff proposed by three Commissioners would provide little remedial assistance to the domestic industry. Although three of six Commissioners supported the 20 percent tariff, it is important to realize that the other three Commissioners recognized that a 20 percent tariff was not a sufficient remedy for the

[14] Darling Statement, at 4.

[15] ITC Report at 471-72.

cold finished steel bar industry. Commissioners Bragg and Devaney supported a 35 percent tariff, while Vice Chairman Okun rejected a tariff in favor of a quota because she believed that a tariff would be largely absorbed by the foreign producers -- thus offering little remedy to the domestic industry.[16] Commissioners Bragg, Devaney, and Vice Chairman Okun are correct: a 20 percent tariff will not remedy the serious injury that has been substantially caused by increased imports.

The insufficiency of a 20 percent tariff is revealed by a closer examination of its costs to the foreign steel producers and importers. The absolute maximum amount that a tariff could cause market prices of imports to increase is the amount the importer must pay to the U.S. government. If the importer must pay the U.S. government $100 per ton, the importer would increase its prices by no more than $100 to recoup this cost. Any attempt to pass-on more than the cost of the tariff would be contrary to the aggressive pricing practices of the importers.[17] In this respect, a 20 percent tariff has zero chance of success.

As shown in Attachment 3, the cost of the tariff to most of the major foreign suppliers is much less than the $161 decline in import prices that took place from 1996 to 2000. See Attachment 4. In fact, for the foreign industries that are most responsible for the decline in market prices -- producers in the Ukraine, Russia, Belgium, and Korea --

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[16] Id. at 437 (“Quotas prevent duty absorption as there is no duty to absorb.”).

[17] Id. at 105 ("Aggressive pricing by the imports during the latter portion of the period examined caused the domestic industry to lose market share and revenues.").

the cost of a 20 percent tariff ranges from $70 to $95 per ton. In just the first 10 months of 2001 the average customs value of imports from Russia and the Ukraine dropped $146 and $65, respectively. Given these producers' willingness to make such dramatic price cuts in a single year, absorbing the cost of a 20 percent tariff is not only possible, it is likely.

With respect to absorbing duties it is also important to realize that there is no penalty to a foreign producer or its related importer for absorbing the tariff or for reimbursing its customer for the cost of the tariff. This is very different than the situation with antidumping duties. The antidumping law contains remedial mechanisms that punish foreign producers and importers who try to limit the market impact of the antidumping duties. The lack of such remedial mechanisms for tariffs under Section 201 means that foreign producers and importers are even more likely to take actions that limit the impact of the tariff on their prices and customers.

B. A 40 Percent Tariff Would Have A Minimal Impact On The Market Price Of Cold Finished Steel Bar

A 40 percent tariff on imported cold finished steel bar would have a minimal impact on domestic market prices. The fact that domestic capacity is significantly more than domestic consumption means that the effect of the tariff on cold finished steel bar will be very different than the effect remedial tariffs will have in other steel markets where the United States needs imported steel to meet demand. Specifically, the remedy will largely have a volume effect, but only a limited, minimal price effect. In fact, we believe that market prices would increase no more than two to three percent in 2002, with even smaller increases in 2003.[18]

As noted above, the domestic industry is currently burdened with incredibly low capacity utilization. As a whole, the industry's capacity utilization rate is well below 50 percent. Given these low utilization rates, cold finished steel bar producers would use the tariff to recapture market share, thereby increasing the utilization of existing assets. Financially, domestic producers will achieve increased sales value (from increased volume) and increased profitability as average costs decline with better utilization. Domestic producers are <u>not</u> likely to respond by raising prices because increasing prices would limit, if not eliminate, their ability to recapture the market share lost since 1999.

Additionally, import prices are not likely to increase by the full dollar value of the tariff imposed. As noted above, importers are likely to absorb significant portions of the cost of any tariff, thereby limiting the price effect of a tariff.

For these reasons, market prices for cold finished steel bar will increase only minimally. Instead, a 40 percent tariff would largely result in a volume shift -- domestic producers would recapture the market share lost since 1999.

[18] Economic Memorandum, EC-Y-051 at LONG-ALT-7.

C. The Price Impact Of A 40 Percent Tariff On Cold Finished Steel Bar Consuming Industries Would Be Minimal

1. A 40 percent tariff would have a minimal effect on market prices for cold finished steel bar

Any increase in market prices caused by a 40 percent tariff would be minimal and would not cause significant harm to downstream consuming industries like the auto parts industry. Cold finished steel bar constitutes a small portion of the total production cost of most auto parts because most auto parts are complex items that require significant machining, on sophisticated equipment, by skilled labor. A 2 or 3 percent increase in cold finished steel bar prices would have a de minimis impact on the total costs incurred by auto parts manufacturers.

2. The actual cost to industries consuming cold finished steel bar

The true cost of a remedial tariff to the industries that consume cold finished steel bar is two fold. First, a 40 percent tariff would eliminate or limit the benefit these industries have obtained from the recent declines in cold finished steel bar prices. The Commission found that cold finished steel bar prices declined by 17.5 percent (imports) and 12 percent (domestic product) over the POI. But according to the Bureau of Labor Statistics, prices of auto parts declined by a mere 2% from January 1996 to June 2001.[19] *If double-digit declines in cold finished steel bar prices did not result in similar declines in auto part prices, it is difficult to understand how the expected 2 to 3 percent increase in cold finished steel bar prices would result in any increase in auto parts prices.*

[19] Bureau Of Labor Statistics Data, at http://data.bls.gov/cgi-bin/surveymost.

Second, a 40 percent tariff would, hopefully, reduce the ability of industries consuming cold finished steel bar to use the availability of low-priced imports to negotiate lower prices for domestically produced cold finished steel bar. In a market with significant excess capacity and the availability of low-priced imports, the negotiating leverage has been heavily on the side of cold finished consuming industries. Restricting imports would, hopefully, return some equality to sales negotiations. Obviously, the industry's customers do not want to lose the leverage of low-priced imports.

Finally, it is worth noting that over the long-term, industries that consume cold finished steel bar will benefit from a remedial tariff. If the tariff is sufficient to allow the cold finished steel bar industry to invest in itself -- improving its efficiency and stability -- consumers will reap long-term benefits from lower prices and the security of purchasing from local companies that are not on the brink of bankruptcy.

3. A temporary remedial tariff on cold finished steel bar will not cause any auto parts suppliers to relocate outside the United States

Any argument that a remedial tariff on cold finished steel bar would cause U.S. auto parts producers to relocate production outside the United States is not credible. The fallacy of this argument is exposed by examining its flip-side: the low prices for cold finished steel bar that have existed since 1999 did not cause any foreign parts suppliers to relocate production to the United States. Cold finished steel bar prices are simply not such a driving force. In reality, cold finished steel bar prices are just one of many factors considered by auto parts producers. Just as the recent low prices were not a driving force behind auto parts companies moving to the United States, the minimal price increase that should result from a tariff will not cause companies to leave the United States.

Moreover, an argument that a tariff would cause auto parts suppliers or auto companies to source parts from offshore presumes that the Administration is going to fail in its efforts to negotiate a world-wide reduction in steel production capacity. Successful completion of multilateral negotiations should yield significant capacity reductions for all steel products, which will greatly reduce the pressure excess capacity places on prices in the United States and in other countries. In short, successful steel negotiations will help to maintain, if not improve, the competitiveness of the industries that consume cold finished steel bar.

D. The Remedy Should Be Imposed For Four Years

The purpose of Section 201 relief is to facilitate industry adjustment. Adjustment is emphasized in every phase of Section 201 proceedings -- from the submission of adjustment plans, to the determination and implementation of a remedy, to the monitoring of industry adjustment after relief is imposed. It only makes sense that the domestic industry be afforded the time it needs to adjust.

The remedy that the Administration imposes on cold finished steel bar should be in effect for a full four-year period so that the domestic industry is able to both recover from, and adjust to, import competition. Cold finished steel bar producers need four years to recover financially and to obtain financing to begin or continue adjustments.

Domestic producers need four years to implement their adjustment plans. Capital investment projects require time for board approval, acquisition of financing, installation, testing, and start-up operations. Producers need to be able to complete the time-consuming tasks of developing and producing new technologies. They cannot undertake these procedures unless they are guaranteed a period of relief that is sufficient to shield them while they expend resources on adjustment plans. A tariff of at least 40 percent imposed over a four-year period will allow the companies that need to make capital investments for much-needed upgrades to do so. The companies that have already begun to make substantial investments need four years of relief to begin earning a return on their investments and to increase production to cost efficient levels. Imposing a four-year tariff on imports of cold finished steel bar is the only way to ensure that the industry will be able to successfully adjust and that the relief granted is not futile.

E. The Remedy Imposed On Cold Finished Steel Bar Must Be No Less Than The Remedy Imposed On Hot-Rolled Steel Bar

The remedy that the Administration imposes on cold finished steel bar must be no less than the remedy that the Administration imposes on hot-rolled steel bar. If the remedy imposed on cold finished steel bar is any less restrictive, exporters will take advantage of the lesser remedy. Exporters will turn hot-rolled steel bar into cold finished steel bar outside of the United States and flood the domestic market with imports of cold finished steel bar. Low-priced imports of cold finished steel bar have already injured this industry, but the surge that can be expected if the Administration imposes a lesser remedy on cold finished steel bar than on hot-rolled steel bar would be devastating.[20]

III. COMPENSATION TO CANADA

In the event that the President proclaims a remedy on cold finished steel bar that includes imports from Canada, the North American Free Trade Agreement ("NAFTA") obligates the United States to compensate Canada.[21] This requirement could be addressed through the use of a Canada-specific remedy. The Cold Finished Trade Coalition suggests that the Administration proclaim a tariff-rate quota ("TRQ") applicable to Canada with the in-quota, tariff-free amount based on domestic consumption and the level of imports in 2000 -- the highest volume of imports in a recent representative period.[22] Imports from Canada falling within the quota amount would be duty-free and imports above that level would be subject to the tariff determined by the President. Under this measure, Canadian imports would continue to enter the United States and the likelihood that the United States would need to grant compensation to Canada would be significantly reduced.

[20] This is essentially what happened in the early 1980s when import restrictions were placed on hot-rolled steel bar and none on cold finished steel bar.

[21] NAFTA, Art. 802.6.

[22] The Minimill 201 Coalition (Long Products) addresses the issue of compensation for Canada in its January 15, 2002 submission to the TPSC on hot-rolled bar and rebar.

NAFTA requires that Canada's imports not fall below the trend of imports over a "recent representative period," with an allowance for reasonable growth.[23] From 1996 to 2000, the volume of U.S. imports of cold finished steel bar from Canada grew at just under 4 percent annually. During the same period, Canadian imports as a share of domestic consumption fluctuated between 4.2 and 5.0 percent, averaging approximately 4.7 percent.[24]

To meet the requirements of the NAFTA, the first year in-quota amount of the TRQ would be equivalent to 4.7 percent of domestic consumption. Thereafter, the in-quota amount would adjust with changes in domestic consumption, with no annual increase in volume exceeding 4 percent.

If a TRQ similar to that described above is imposed on imports of cold finished steel bar from Canada, it would further diminish the impact the entire remedy (as to imports from Canada and non-NAFTA sources) would have on market prices. The prices paid by U.S. purchasers of Canadian cold finished steel bar will reflect market prices alone. The TRQ on Canadian imports would also help to ensure that the volume shift from non-NAFTA sources will be to domestic producers and not to Canadian producers.

[23] NAFTA, at Art. 802.5(b).

[24] ITC Report at Table LONG-C-4.

IV. PRODUCT EXCLUSIONS MUST BE LIMITED IN SCOPE AND TIME TO WHAT IS NECESSARY

The Cold Finished Trade Coalition and the Minimill 201 Coalition (Long Products) believe that the cold finished products for which exclusions were sought can be produced in sufficient quantities by the domestic industry. In granting exclusions to any remedy on cold finished steel bar, the Administration should limit the scope of the exclusion to what is necessary.

The Administration should not grant exclusions on products that are currently being imported either because the product is not currently produced in the United States (despite available capacity) or because the U.S. customer has not yet qualified a U.S. producer. In fact, it is insulting for Honda Manufacturing to suggest that it should be granted an exclusion because its prior domestic supplier was forced into bankruptcy. The solution to the industry's difficulties is not to award the market share of bankrupt or troubled domestic producers to foreign producers. Given that the domestic industry's hope is that the remedial tariff will allow them to recapture lost market share, exclusions like Honda's that help foreign producers secure and legitimize their presence in this market should not be granted. The domestic cold finished steel bar industry has the capacity and the ability to produce these products, it needs a remedial tariff so that the customers will give it a chance to meet their needs.

V. RESPONSES TO SPECIFIC QUESTIONS OF THE TRADE POLICY STAFF COMMITTEE

A. Page 10 of your January 4th submission states that 5-6 percent operating profits are the minimum necessary for the long products industries. Does that mean that import relief must be sufficient by itself to bring the industry to that level of profitability? Would such a measure suggest that we are using import relief to make up for injury caused by declining demand for steel? Most sources suggest that the economy is improving. If we see improvement, wouldn't a remedy that by itself elevated the industry from its current trough to healthy profits result in excessive prices and profits in an upturn?

With respect to cold finished steel bar, the premise of this line of questions is incorrect. Domestic consumption of cold finished steel bar increased from 1996 to 2000.[25] Thus, irrespective of what has happened in other steel sectors, the decline in the condition of the domestic cold finished steel bar industry cannot and should not be attributed to any cause other than the increased volume of low-priced imports. In fact, the Commission found that "in 2000 demand increased above the level in 1999. Nevertheless … prices for U.S.-produced product did not recover with demand, but instead declined further in the face of the import surge."[26]

Given that the decline of the domestic industry has not been caused by any decline in domestic demand, any argument that the future of this industry should be put in the hands of the expected improvement in the domestic economy is irresponsible. Given the excess capacity that exists in the United States and in foreign countries, a slow recovery

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[25] ITC Report at LONG-68.

[26] Id. at 107.

of the domestic economy is not going to increase domestic market prices. Most importantly, an improving economy would not change the conditions that have allowed imports to capture an increasing share of the domestic market. Imports increased their market share significantly in 2000 when demand for cold finished steel bar also increased.

B. Costs decreased over the investigation period. Does that undermine your argument that the industry must return to 1996-97 pricing levels to remedy serious injury?

According to the Commission, the domestic industry's cost-of-goods-sold decreased by $61 per ton from 1996 to 2000. This reduction in costs does not undermine the need to return to 1996-1997 pricing. A closer examination of the industry's cost structure reveals that *virtually all* of the cost reduction was achieved from lower raw material costs. Raw material costs declined by $171 per ton from 1996 to 2000. The reduction in raw material costs is not a reflection of true and permanent reduction in costs. The primary raw material used in producing cold finished steel bar is hot-rolled bar; indeed, approximately 70 percent of the cost of cold finished steel bar is attributable to hot-rolled bar. The market price of hot-rolled bar has been driven down by imports. Virtually all of the decline in raw material costs took place in 1999 and 2000, the very same years in which most of the price declines took place in the hot-rolled bar market. If remedial measures are placed on hot-rolled bar, any increase in prices would likewise increase the cost of raw materials to the cold finished steel bar industry.

C. ITC data appear to indicate that import prices and volumes of hot-rolled bar, cold finished bar, and rebar imports moved in different patterns, and that the performance statistics for the separate domestic industries producing those products did not move in tandem. If our remedy is to address the serious injury found by the ITC, why should three such different industries be subject to the same remedy?

The need to adopt a remedy for cold finished steel bar that is no less than the remedy for hot-rolled bar is discussed above in section II.E.

VI. CONCLUSION

The Cold Finished Trade Coalition and the Minimill 201 Coalition (Long Products) respectfully urge the President to impose a remedial tariff on imports of cold finished steel bar of at least 40 percent, on an ad valorem basis, in the first year of relief. A 20 percent tariff would not remedy the serious injury that has been substantially caused by increased imports.

We also urge the President to impose remedial tariffs for at least four years so that the domestic industry is able to both recover from, and adjust to, import competition. Finally, both coalitions respectfully urge the President to obtain meaningful and binding commitments from our trading partners to reduce global excess production capacity and to assist shuttered companies in obtaining trade adjustment assistance for displaced workers.

Respectfully submitted,

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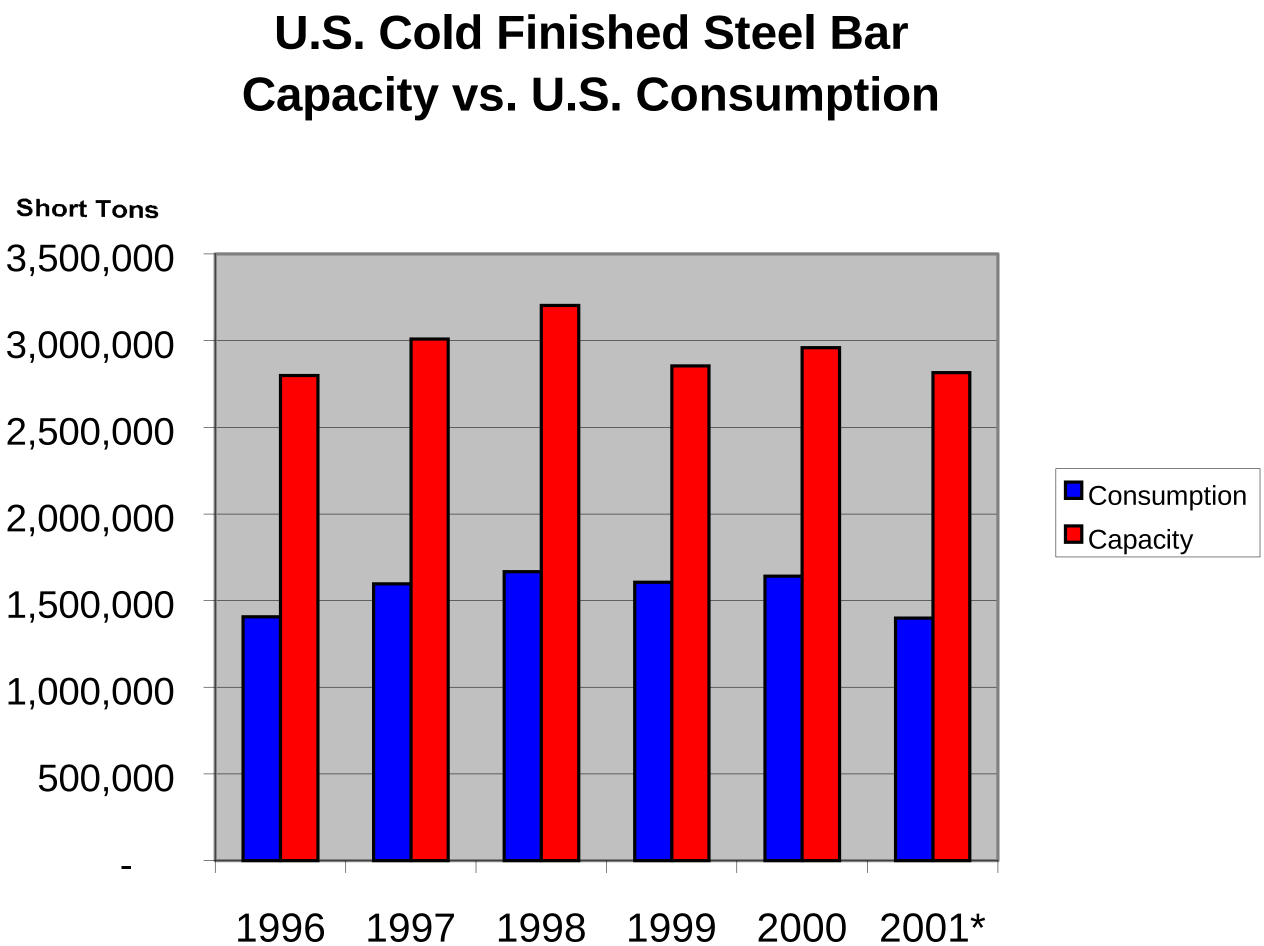
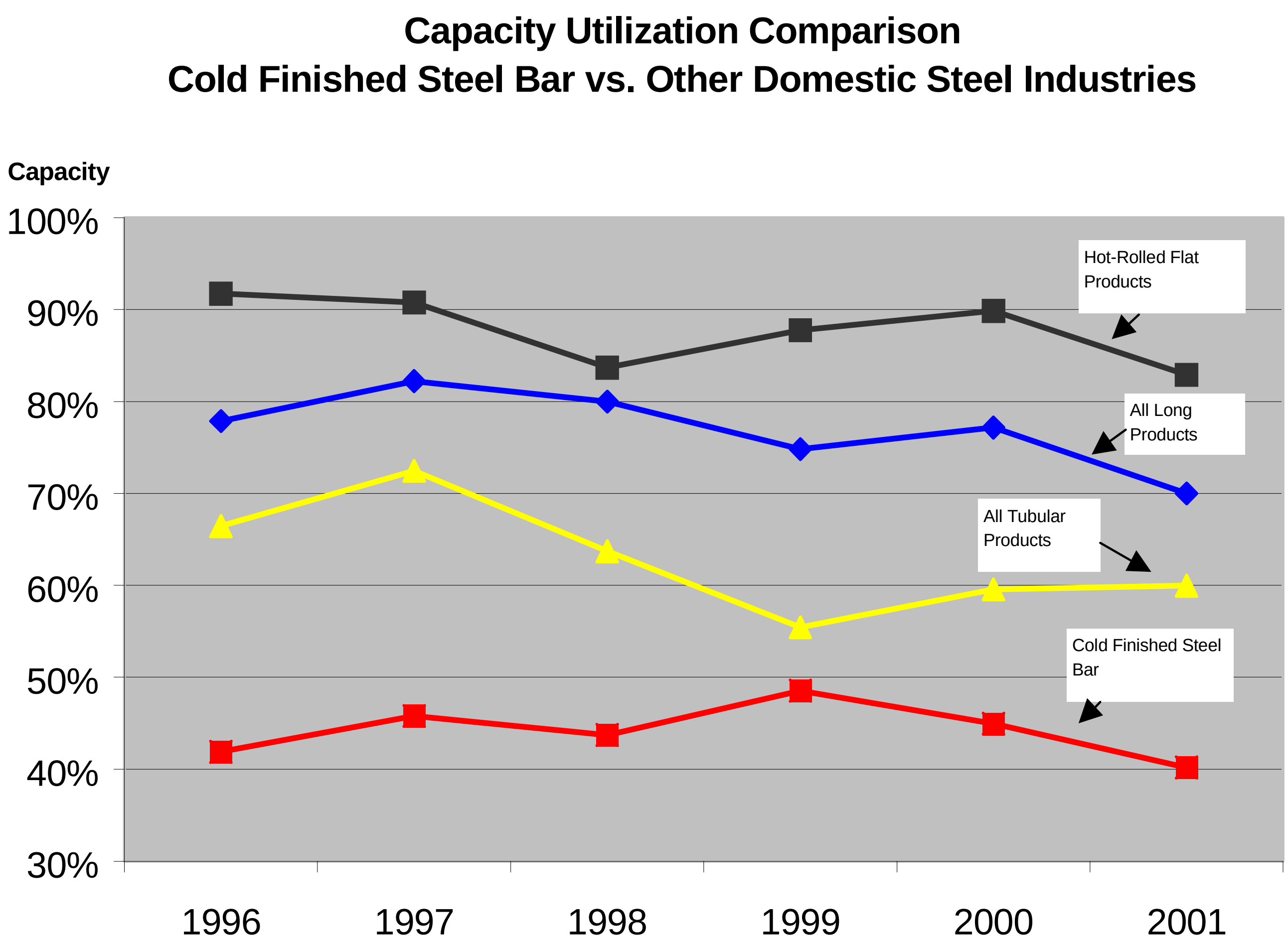


*Annualized from Jan-June data.

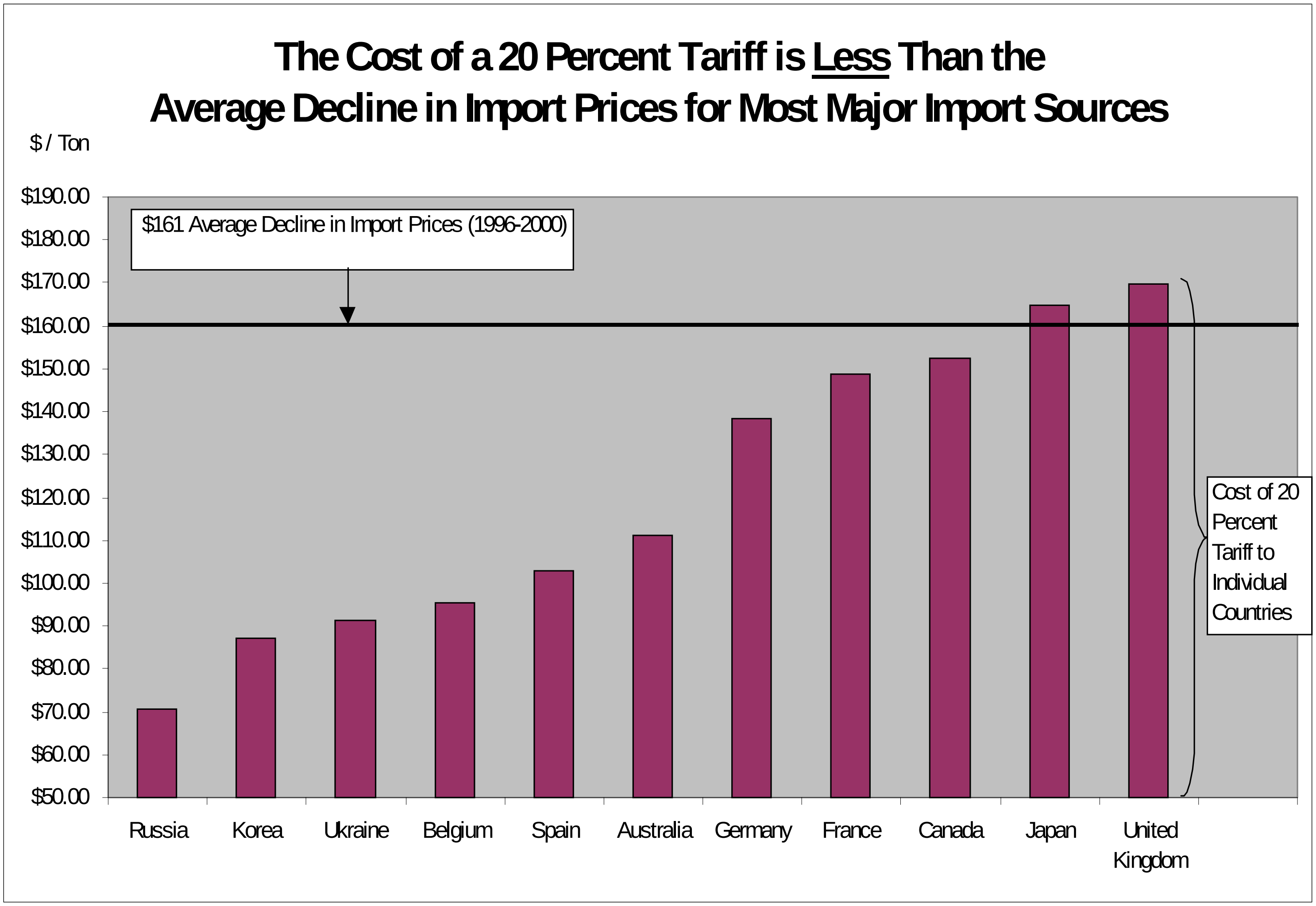
Source: USITC Inv. No. TA-201-73, Pub. 3479 at LONG-10.

ATTACHMENT 1



Source: USITC Inv. No TA-201-73, Pub. 3479, at FLAT-18, LONG-19, LONG 22, and TUBULAR-12.

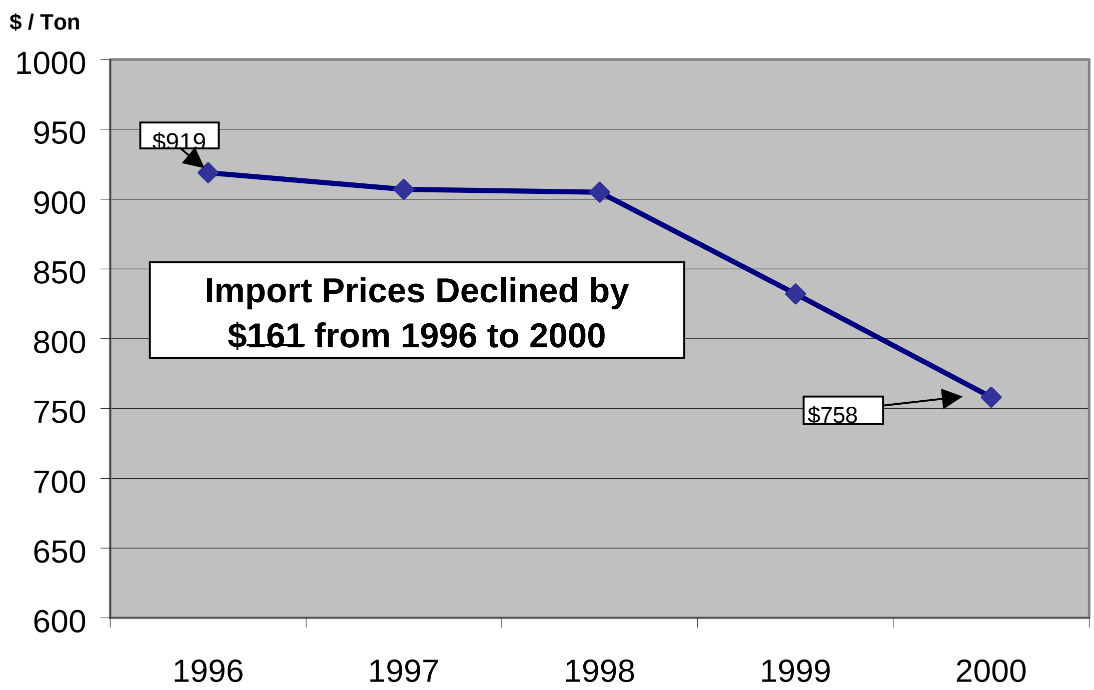
ATTACHMENT 2



Source: Average customs value per ton of cold finished steel bar imports from individual countries for Jan.-Oct. 2001.

ATTACHMENT 3

Landed, Duty-Paid Prices of Cold Finished Steel Bar Imports from Non-NAFTA Countries



Source: USITC Inv. No. TA-201-73, Pub. 3479, at LONG-10.

ATTACHMENT 4